

PROPOSED RESOLUTION

Resolution W-5061
DWA

AGENDA ID #14278 (Rev. 1)
ITEM #20
9/30/2015 9:00 A.M.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5061
October 1, 2015

RESOLUTION

(RES. W-5061) KENWOOD WATER COMPANY ORDER
AUTHORIZING A SURCHARGE OF \$0.265/CCF, ADDED TO THE
QUANTITY CHARGE ON MONTHLY BILLS, FOR A DURATION OF 24
MONTHS TO RECOVER THE STATEWIDE LOST REVENUE
RECOVERY MEMORANDUM ACCOUNT.

SUMMARY

By Advice Letter 87, filed on August 6, 2015, Kenwood Water Company (Kenwood), a Class D water utility, seeks to recover the lost revenues and increased operational costs, as a result of Kenwood's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan as recorded in its Statewide Lost Revenue Recovery Memorandum Account¹, from July 1, 2014 through June 30, 2015.

This Resolution grants a surcharge of \$0.265/CCF, to be recovered over 24 months, for Kenwood to recover the lost revenues and increased operational costs incurred in the Statewide Lost Revenue Recovery Memorandum Account.

BACKGROUND

Kenwood has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Code to increase rates to recover the lost revenues and increased operational costs incurred in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA).

¹ By Advice Letter 83, effective June 25, 2014, the Commission granted Kenwood the establishment of a Statewide Lost Revenue Recovery Memorandum Account.

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

Kenwood's present rates became effective on July 1, 2015 by approval of Advice Letter (AL) 86, which authorized a cost of water offset. Kenwood's last general rate increase was authorized by Resolution W-4709, dated September 18, 2008.

AL 83, effective June 25, 2014, authorized Kenwood to establish a SLRRMA to track and recover the lost revenues and increased operational costs for Kenwood, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan.

The lost revenues and increased operational costs in the SLRRMA from July 1, 2014 through June 30, 2015 are \$27,331 for Kenwood.

NOTICE AND PROTESTS

AL 87 was served on August 6, 2015, in accordance with the provisions of G.O. 96-B. Industry rule 3.1 provides for notice to customers by publishing a legal notice in a newspaper of general circulation in the area. A notice of the proposed change has been published in the Press Democrat, a newspaper of general circulation in Sonoma County.

No protests have been received.

DISCUSSION

By AL 87, filed on August 6, 2015, Kenwood seeks to recover the lost revenues and increased operational costs, as a result of the Kenwood's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan which Kenwood recorded in its SLRRMA from July 1, 2014 through June 30, 2014.

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, the lost revenues and increased operational costs which Kenwood recorded in its SLRRMA. The SLRRMA was established on June 25, 2014 by approval of AL 83.

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to meet the following standards:

- 1) The utility acted prudently when it incurred these costs;

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

- 2) The utility paid reasonable amounts for these costs;
- 3) The memorandum account costs are not covered by other authorized rates; and
- 4) It is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates (see e.g., Ordering Paragraph 5 of Resolution (Res.) W-4824.)

Based on the requirements discussed above, the Division of Water and Audits (DWA) finds that Kenwood acted prudently in incurring the lost revenues and increased operational costs recorded in its SLRRMA. These costs were incurred in order to track cost savings associated with lower sales as well as increased operational costs and violation fines, penalties, and/or surcharges collected from implementing Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan.

With respect to the 2nd standard, DWA reviewed the lost revenues and increased operational costs of \$27,331 recorded in Kenwood's ledger as provided to DWA, and has found these expenditures to be prudent and reasonable.

With respect to the 3rd standard discussed above, DWA has reviewed Kenwood's last GRC, authorized on September 18, 2008, (see Res.W-4709), and has ascertained that Kenwood could not have anticipated the lost revenues and increased operational costs, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. The expenditures accrued in its SLRRMA could not have been included in the utility's previously authorized rates. Therefore, Kenwood did not receive revenues for the recently incurred expenses accrued in its SLRRMA. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

DWA finds it appropriate for ratepayers to pay for these costs, since these costs were accrued to provide ratepayers with water service and keep the company running, thereby ensuring that the utility has a reliable and sufficient water supply, which is beneficial to its customers. Accordingly, it is appropriate for ratepayers to pay for this category of costs in addition to otherwise authorized rates and, therefore, Kenwood meets the 4th standard discussed above.

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

To minimize the impact of this amount on ratepayers, the surcharge has been spread over 24 months for Kenwood. Per guidance in Standard Practice U-27-W, Rule 64b, memorandum account amortization surcharges are to be spread over two years for under-collections above 5% of gross revenues.

The sum of \$27,331 is more than 5% of the current gross revenue of \$341,051 for Kenwood. Therefore, DWA recommends a surcharge of \$0.265/CCF, for a period of 24 months, for Kenwood. This surcharge will not result in a rate of return greater than the last authorized rate of return for Kenwood.

Kenwood should be permitted to transfer the amounts recorded in its SLRRMA to a balancing account for recovery. Kenwood should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$0.265/CCF, for a period of 24 months.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g)(3), this resolution is exempt from the 30-day period for public review and comment.

SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

FINDINGS

1. Kenwood Water Company (Kenwood) seeks to recover the lost revenues and increased operational costs as a result of its implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan, as recorded in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA). The SLRRMA was established on June 25, 2014 by approval of AL 83.
2. By Advice Letter (AL) 87, filed on August 6, 2015, Kenwood seeks to recover the lost revenues and increased operational costs which Kenwood recorded in its SLRRMA from July 1, 2014 through June 30, 2015.
3. Kenwood incurred and recorded in the SLRRMA from July 1, 2014 through June 30, 2015, a total amount of \$27,331.
4. The expenses recorded in Kenwood's SLRRMA of \$27,331 are prudent, reasonable, and not covered by other authorized rates. Also, it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.
5. Kenwood could not have reasonably anticipated these expenses in the SLRRMA in its last general rate case, which became effective on September 18, 2008 for Kenwood.
6. It is appropriate for ratepayers to pay for these costs, since these costs were accrued to provide water service to ratepayers, which is beneficial to its customers.
7. AL 87 was served on August 6, 2015, in accordance with the provisions of General Order (G.O.) 96-B.
8. Industry rule 3.1 provides for notice to customers by publishing a legal notice in a newspaper of general circulation in the area. A notice of the proposed

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

change has been published in the Press Democrat, a newspaper of general circulation in Sonoma County. No protests have been received.

9. Kenwood should be permitted to transfer the amounts in its SLRRMA to a balancing account for recovery.
10. Kenwood should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$0.265/CCF, for a period of 24 months, for Kenwood customers.
11. This surcharge will not result in a rate of return greater than the last authorized for Kenwood.

THEREFORE IT IS ORDERED THAT:

1. Kenwood Water Company is permitted to transfer the amount of \$27,331, in its Statewide Lost Revenue Recovery Memorandum Account to a balancing account for recovery over a period of 24 months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Kenwood Water Company is permitted to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$0.265/CCF, for a period of 24 months.
3. Kenwood Water Company shall track the revenue from a surcharge of \$0.265/CCF, for a period of 24 months, reflected in Ordering Paragraph 2 above in a balancing account and account for any over or under collected revenues in its next general rate case.

PROPOSED RESOLUTION

Resolution W-5061
DWA

October 1, 2015 (Rev. 1)

4. Authority is granted under Public Utilities Code Section 454 to Kenwood Water Company to file a supplemental advice letter with the revised surcharge rate schedules and concurrently cancel its presently effective Schedule No. 1, Metered Service. The effective date of the revised rate schedules shall be five days after the date of filing.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on October 1, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

KENWOOD WATER COMPANY
ADVICE LETTER NO. 87
SERVICE LIST

City of Santa Rosa
P.O. Box 1658
Santa Rosa, CA 95402

Valley of the Moon Water District
P.O. Box 280
El Verano, CA 95433-0280

Bob Maes
Kinneybrook Mutual
P.O. Box 1234
Kenwood, CA 95452

Kenwood Water Company
Attn: Karen Ball
klb@mfcomputer.com